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USSR–Eastern Europe: Trade in Manufactured Consumer Goods and Light Industrial Equipment

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A Research Paper

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A Research Paper

This paper was prepared by
CEMA Task Force, Office of Soviet Analysis and Office of European Anaysis. Comments and queries are welcome and may be addressed to the Chief, CEMA Task Force

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USSR–Eastern Europe: Trade in Manufactured Consumer Goods and Light Industrial Equipment

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Summary

Information available as of 25 June 1986 was used in this report.

In 1983 the USSR demanded that Eastern Europe play an increased role in its effort to improve the lot of the Soviet consumer. Beset with mounting economic problems, Moscow intensified pressure on its allies to supply more and better quality consumer products for Soviet workers and to expand exports of light industrial equipment for its long-term modernization drive. Soviet threats to reduce critical energy exports spurred East European compliance in 1984-85. The Kremlin, despite tough talk, appears to have backed off from this strategy for 1986-90, apparently because it is reluctant to threaten political stability and economic growth in the region with high trade targets. Inability to purchase Western consumer products and machinery because of hard currency shortfalls or to achieve hoped-for productivity gains at home, however, may force the Soviets to reapply pressure on Eastern Europe to provide more consumer goods and equipment before the end of the decade.

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Imports of manufactured consumer goods from Eastern Europe—some 4.7 billion rubles' worth in 1984—currently account for 15 percent of total Soviet purchases from the region. Moscow allocates only 3 percent of its total imports from outside Eastern Europe to such goods. Because they are reluctant to spend scarce hard currency on Western consumer goods and have little interest in products from less developed countries, the Soviets have relied upon their Council for Mutual Economic Assistance (CEMA) partners for more than half of their imports of consumer goods, with the bulk coming from East Germany, Czechoslovakia, and Poland. Clothing and shoes represent the largest commodity category. Purchases of pharmaceuticals and cosmetic items, however, have assumed greater importance in recent years. Moscow sells far fewer consumer goods to Eastern Europe than it buys; such products account for only 1 percent of total East European imports from the USSR.

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The USSR imported 735 million rubles' worth of East European light industrial equipment in 1984. The purchases were almost double their 1980 level, reflecting the Soviets' commitment to modernizing their domestic plant and equipment. CEMA partners—primarily Czechoslovakia and East Germany—provide 90 percent of Soviet imports of textile equipment. In response to Soviet plans to expand product assortment, these suppliers have dramatically changed the composition of their deliveries to include smaller and more varied processing lines.

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Political considerations have been an important influence on the level of East European goods demanded by the Soviet Union and on Moscow's deliveries to Eastern Europe:

- Increasing supplies of Soviet household appliances appeared in Polish stores throughout the 1980s to aid the Polish leadership in pacifying restless workers.

- Because of its worsening economic conditions, Bulgaria was protected from much of the cutback in Moscow's exports of consumer goods to Eastern Europe in recent years. Although Sofia imported fewer passenger cars—which went instead to Moscow's hard currency customers—it received compensation in more appliances and automobile spare parts.

- Their political stability and relatively healthy economic performance have made East Germany, Czechoslovakia, and Hungary victims of even greater reductions. Exports rebounded somewhat in 1983 and 1984, but were still lower than a decade earlier.

- East Germany and Czechoslovakia, with the brightest prospects for increased output, are slated to remain the Soviets' leading suppliers of consumer goods in 1986-90.

- Poland and Romania, who are courting Moscow for increased aid to their ailing economies, have agreed to boost exports of consumer products in the next five years dramatically over current levels.

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Moscow has relaxed—at least for the near term—its demands on Eastern Europe for rapid increases in deliveries of consumer goods. Soviet purchases for 1986-90 are targeted for the slowest increases in 15 years. Gorbachev also has shifted the focus of Soviet buying to machinery and technology, banking on the long-term payoff of higher Soviet production of consumer goods and decreased reliance on East European finished products.

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This pragmatic approach reflects Moscow's awareness of the risks in squeezing its allies too hard. An aging stock of plant and equipment and tight investment funds will probably hold down growth in East European production of consumer goods. To meet increased Soviet demands, regimes

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in the region would face the unpalatable choice of losing hard currency earnings from sales to the West or cutting supplies to their own populations. By shifting its demands, Moscow apparently has chosen to avoid the hazards of greater political instability in Eastern Europe, additional debt service problems, and reduced access to Western materials and technology.

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Current trends may compel the Soviets to reaccelerate their requirements before the end of the decade. A drop in Soviet hard currency revenues—the product of falling oil prices and faltering production—may press Moscow to delay or curtail consumer goods purchases from Western suppliers, filling the void with CEMA products. Additional purchases from Eastern Europe could also result from:

- Production shortfalls in Soviet light industry.
- Stagnating labor productivity and/or failure of worker incentive programs.
- Increased health problems from the Chernobyl' accident.

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If Moscow raises the ante, we would expect to see increased bickering over the volume and composition of such trade and some foot-dragging by the East Europeans in fulfilling agreements. The loudest complaints probably would come from Hungary, East Germany, and possibly Czechoslovakia—the regimes with the most consumer-oriented domestic policies and the greatest reliance on consumer goods for hard currency revenues.

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Contents

		Page
Summary		iii
Introduction		1
Trade in Manufactured Consumer Goods		1
	Trade Trends, 1970-84	1
	Trade Partners	3
	The Composition of Soviet Imports	4
	The Soviet Export Picture	7
Moscow's Imports of Light Industrial Equipment		9
CEMA Cooperation Agreements: Pressure for Integration		10
	The Raw Materials Base: Interkhimvolkon	10
	Textile Machinery: Intertextilmash	11
	Finished Goods: The Long-Term Target Program	12
Prospects: Tough Talk, Modest Pressure		13

Appendixes

A.	Statistical Tables of Trade in Manufactured Consumer Goods	17
B.	Reconciling Soviet and East European Trade Data: A Methodological Note	27

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USSR–Eastern Europe: Trade in Manufactured Consumer Goods and Light Industrial Equipment

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Introduction

At the CEMA Council Meeting in East Berlin in October 1983, Moscow notified its allies that it would no longer tolerate the large trade imbalances and subsidies that characterized Soviet economic ties to Eastern Europe during the late 1970s and early 1980s.[1] Beset by mounting economic problems at home, Premier Tikhonov stated in blunt language that future deliveries of fuel and raw materials—upon which the East Europeans are critically dependent—would be tied to increased exports of high-quality intermediate goods and equipment from the CEMA partners. In particular, the Soviets demanded a greater share of the manufactured consumer products that contribute to the higher standard of living enjoyed by the East European populace. They also called for more light industrial machinery.

As the new General Secretary, Gorbachev embraced and intensified the campaign for more consumer goods and light industrial equipment from Eastern Europe as part of his overall strategy to revitalize the Soviet economy. The Soviet leader knows that, if his plans to modernize the Soviet industrial base are to work, he must move quickly to improve worker performance. A key element of his strategy to spark greater labor effort in the short term focuses on stocking shelves with sought-after East European clothing, shoes, and associated goods. For the longer term, Moscow is seeking East European machinery to retool and expand production capacity in the USSR's neglected light industry.

Trade in Manufactured Consumer Goods

Trade Trends, 1970-84. Manufactured consumer goods—which include such items as fabrics, clothing, shoes, housewares, pharmaceuticals, cosmetics, appliances, and automobiles—are the third-largest commodity group, after machinery and food and raw materials, of Soviet imports from Eastern Europe. In 1984, they accounted for 15 percent of Soviet purchases from the region. The USSR, reluctant to spend scarce hard currency on Western goods and little interested in low-quality products from less developed countries, has relied upon its CEMA partners for more than half of its consumer goods imports. In spite of the brisk growth in these imports—from roughly 1.4 billion rubles' worth in 1970 to nearly 4.7 billion rubles' worth in 1984—they grew at three-fourths the rate of total purchases from the CEMA countries, reflecting Moscow's higher priority for machinery and equipment imports from its allies. Measured in real terms, the Soviets roughly doubled imports of consumer goods from Eastern Europe between 1970 and 1984 (see figure 1).[2] They sustained their most rapid real growth in 1975-78, only to level off in 1979-81. Faced with the traumas of the second global oil shock and the Solidarity uprisings in Poland, Eastern Europe, with Soviet approval, put consumer goods trade with the USSR on hold.

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Soviet efforts to reduce large trade surpluses with the region in recent years have produced brisk growth in East European exports of consumer goods to the USSR. During 1981-84:

- Consumer goods accounted for some 40 percent of the rise in volume of East European exports to the Soviets.
- Eastern Europe's nominal trade deficit with the USSR would have been roughly twice as large without the 13-billion-ruble increase in net exports of these goods.

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[1] CEMA—the Council for Mutual Economic Assistance—is made up of the USSR, Poland, East Germany, Czechoslovakia, Hungary, Bulgaria, Romania, Mongolia, Cuba, and Vietnam. In this paper, however, our discussion of CEMA excludes the three non-European nations. The terms Eastern Europe and CEMA partners are used interchangeably.

[2] Official Soviet data published in *Vneshnyaya Torgovlya SSSR* (*Foreign Trade USSR*) are cited, except where specified. Trade in constant prices is derived from Hungarian indexes. See appendix A for a more detailed accounting of consumer goods exports and imports. Appendix B explains our methodology for estimating trade in major commodity categories omitted from Soviet statistics.

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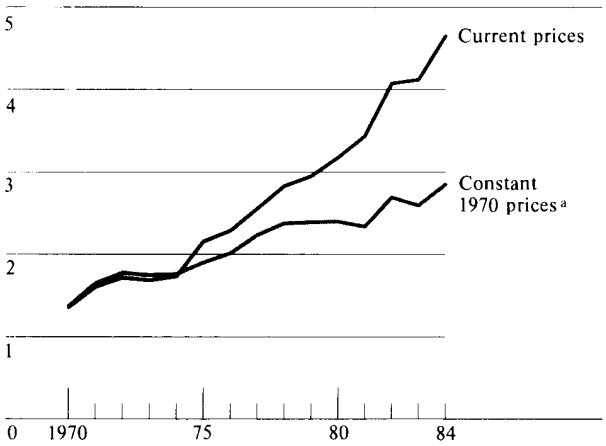
Figure 1
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR, 1970-84



[a] Imports in constant prices are derived from Hungarian foreign trade price indexes for consumer goods. Data for 1984 are preliminary.
Source: *Foreign Trade USSR* and *Hungarian Foreign Trade Statistical Yearbook*.

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Table 1
Eastern Europe: Shares of Selected Exports of Consumer Goods to the Developed West, by Country

Percent

	1970	1983
Knitted garments		
Bulgaria	0.9	12.6
Hungary	20.0	31.0
East Germany	18.1	25.8
Clothing and linens		
Bulgaria	3.9	9.9
Hungary	20.6	55.0
East Germany	25.8	35.4
Poland	14.2	30.9
Leather footwear		
Bulgaria	6.4	20.5
Poland	22.6	69.5
Romania	30.0	67.6

Declines in Polish and Hungarian exports—a result of trade adjustments with the West necessitated by the worst of the debt crisis in 1982—caused a slight drop in real East European exports to the Soviet consumer market during 1983. In response to continued Soviet arm twisting, however, sales in 1984 jumped almost 10 percent in real terms, and preliminary data indicate similar growth in 1985.

The East Europeans, however, expanded sales to hard currency markets at an even higher rate, as the region directed exports to the West to pay debt service to Western banks.[3] Moscow's allies, which could offer few other goods that US and Western European buyers wanted, shipped their top-of-the-line consumer products to the West and delivered generally shoddy merchandise to the Soviet market. Hard currency exports grew so rapidly that by 1983 over one-half of Hungarian clothing exports went to Western buyers, compared with one-fifth in 1970 (see table 1). Poland and Romania sold nearly 70 percent of their leather footwear exports to the West in 1983—more than double the shares in 1970. Even the surge in deliveries of consumer goods to the USSR in 1984-85 did not dampen comparable East European sales to hard currency buyers, undermining Moscow's implicit goal of reorienting its allies' trade away from the West.

In contrast, manufactured consumer goods play a minor role in Soviet exports to Eastern Europe.[4] They currently comprise only 1 percent of total Soviet sales by value to the CEMA partners. Real growth in Soviet exports of consumer goods surged during 1970-78, but plunged sharply in 1979-81, reflecting Moscow's own domestic production woes in light industry (see figure 2). Although exports rebounded slightly in 1982-84 from their 1981 nadir, in real terms they were lower in 1984 than a decade earlier.

[3] Czechoslovakia proved the exception. Conservative borrowing in the West during the 1980s spared the Czechs from the regional crunch for hard currency sales.

[4] Although the standard Soviet trade classification of manufactured consumer goods does not include passenger cars, motorcycles, and associated spare parts, we have incorporated such data into our discussion of Soviet exports because of their large volume and importance to the East European consumer. Automobile purchases, in comparison, constitute less than 1 percent of total Soviet imports of consumer goods from Eastern Europe and are omitted.

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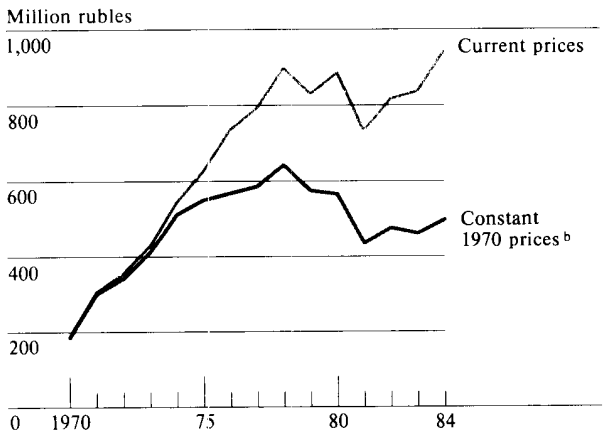
Figure 2
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR, 1970-84[a]



[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods.
[b] Imports in constant prices are derived from Hungarian foreign trade indexes for consumer goods. Data for 1984 are preliminary.
Source: *Foreign Trade USSR* and *Hungarian Foreign Trade Statistical Yearbook.*

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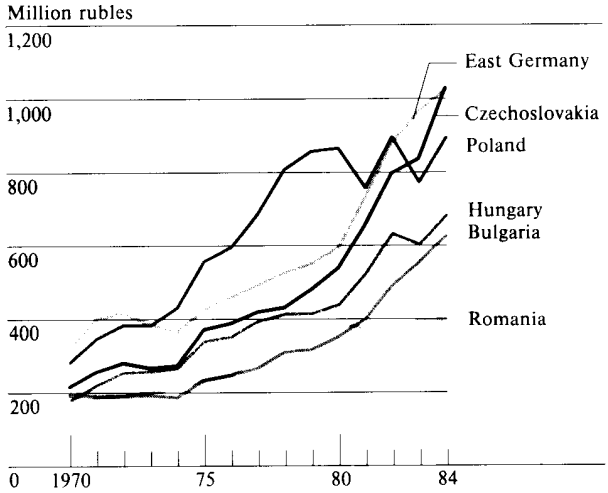
Figure 3
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR, by Country, 1970-84



Source: *Foreign Trade USSR.*

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Trade Partners. A strong record of consumer goods production and high overall economic performance have underpinned Moscow's choice of consumer goods suppliers within Eastern Europe. East Germany—renowned for stylish products and large selection—took over as the Soviets' major CEMA supplier in 1982 (see figure 3). Western press sources have noted that the East Germans have moved vigorously to restructure production and alter specifications to meet Soviet requirements. Czechoslovakia follows closely as the second-leading exporter, its position boosted by average annual increases in exports of some 18 percent during 1981-84.[5] Rapid growth in Czechoslovak exports to the Soviet market has been buttressed by Prague's staunch commitment to CEMA integration and by output gains in consumer goods production—an area where Czechoslovakia is trying to capitalize on its historical advantage.

[5] Czechoslovakia actually became the leading supplier of Soviet consumer goods in 1984 by a very slim margin, but preliminary 1985 data indicate East Germany regained the first position.

Once Moscow's prime source of consumer goods in Eastern Europe, Poland was unable to maintain its deliveries in the early 1980s. Consumer goods output dropped sharply because of economic and political upheaval, leaving less for both consumption and export. The Polish leadership won relief from some of its export commitments to Moscow after the declaration of martial law in December 1981. With Moscow's approval, Warsaw redirected some consumer goods earmarked for delivery to the Soviet Union to the Polish domestic market to placate workers.

In the second tier of CEMA suppliers, Hungary and Bulgaria raised their annual volumes of consumer goods exports by 11.7 and 15.5 percent, respectively, in 1981-84, although hard currency trade pressures led Hungary to reduce its exports slightly in 1983. Romania, with the weakest economic links to the USSR and mounting financial and production difficulties, allowed its deliveries of consumer goods to stagnate during the early 1980s.

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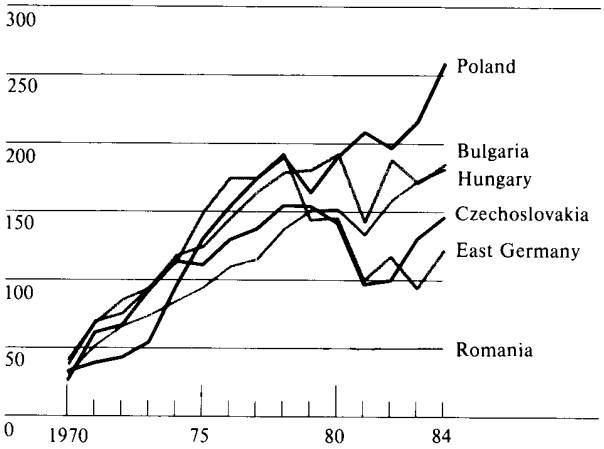
Figure 4
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR, by Country, 1970-84[a]



[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods.
Source: *Foreign Trade USSR.*

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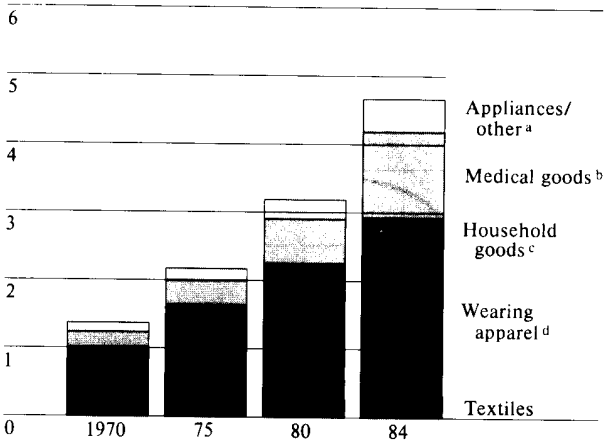
Figure 5
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR, by Commodity, 1970-84



[a] Household appliances, bicycles, watches, TV sets, cameras, and other miscellaneous consumer items.
[b] Includes pharmaceuticals, cosmetics, and soaps.
[c] Includes household utensils, tableware, and furniture.
[d] Includes clothing, shoes, and miscellaneous haberdashery goods.
Source: *Foreign Trade USSR.*

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Political considerations have been an important influence in determining the level of Soviet consumer goods exports to Eastern Europe (see figure 4). Moscow stepped up its support for Warsaw—currently the leading recipient of Soviet consumer goods in CEMA—to aid the Polish leadership in limiting political fallout from severe domestic shortages. Poland enjoyed Moscow's favor in two ways—with a boost in deliveries of consumer goods and an even greater reduction in its export commitments. Although Bulgaria retained its position as the USSR's second major purchaser of consumer goods in CEMA, the Soviets trimmed average annual deliveries of these goods to Sofia slightly in 1981-84 to reduce their trade surplus. Political stability and relatively healthy economic performance made Czechoslovakia and East Germany targets for even deeper cuts during 1979-83, although exports rebounded in 1984. Hungary, too, felt the pinch of Soviet adjustments in consumer goods exports during the early 1980s, but managed to obtain increases in deliveries in 1982-85. Sales to Romania remained at low levels.

The Composition of Soviet Imports. As a counterpoint to the USSR's comparative advantage in the production of durable consumer goods, Soviet imports from Eastern Europe are weighted heavily in favor of "soft" commodities (see figure 5).[6] Soft goods at present comprise some 80 percent of Soviet purchases of consumer goods from the region—about the same as in 1970. Within this category, clothing imports dominate, with Moscow tailoring its purchases to match specific domestic needs (see figure 6):

- Shoe imports—which reached almost 40 million pairs in 1984—offset Soviet production shortfalls and offered greater size, quality, and style selections to Soviet consumers.

[6] As used in the strictest sense in both Soviet and US economic nomenclature, the term "soft goods" refers to fabrics, clothing, shoes, and other wearing apparel. We have expanded our definition of soft goods to include other "nondurable" items, such as dishes, glassware, pharmaceuticals, cosmetics, and soaps. Appliances, other household machinery, furniture, and miscellaneous consumer goods fall in the durables category.

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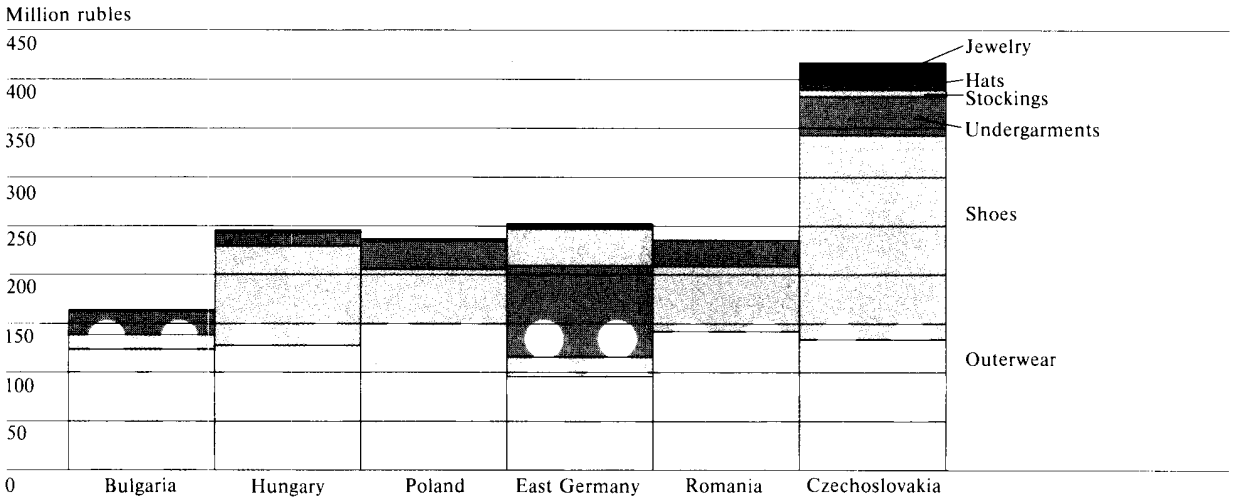
Figure 6
Eastern Europe: Who Clothes Ivan?[a]



Source: East European and Soviet foreign trade handbooks and journals.

[a] Data are for 1983.

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- Changing Soviet lifestyles and tastes have spurred increased imports of sportswear and leisure-time clothing. Soviet consumers demand jogging suits in particular.

- Children's clothing and blue jeans account for a growing share of imports, supporting increased Soviet attention to the needs of young people.

- Imports of men's and women's outerwear, still the mainstay of Soviet buying, include more synthetic fabrics and clothing with greater color and variety to satisfy the increasingly sophisticated tastes of consumers.

Rapid growth in imports of pharmaceuticals reflects Soviet concern over growing health problems and severe domestic drug shortages. To reduce heart disease—a major cause of climbing Soviet mortality rates—Moscow has stepped up purchases of East European cardiac, circulatory, and blood pressure medicines. The CEMA countries also fill Moscow's high-priority prescriptions for analgesics, antibiotics, and drugs for stomach disorders. The lack of resources and incentives for Soviet enterprises to produce small-ticket goods has contributed to equally large jumps in Soviet purchases of cosmetics and soap.

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Moscow shops almost exclusively in Eastern Europe for several other consumer goods. The Soviets purchase more than 75 percent of their total imports of linen fabric, jewelry, dishes, furniture, toothpaste, household sewing machines, baby carriages, lamps, and stationery in the region. Over half the Soviet imports of carpets, hosiery, toys, glassware, books, musical instruments, outerwear, undergarments, and sports, hunting, and camping gear come from CEMA suppliers.

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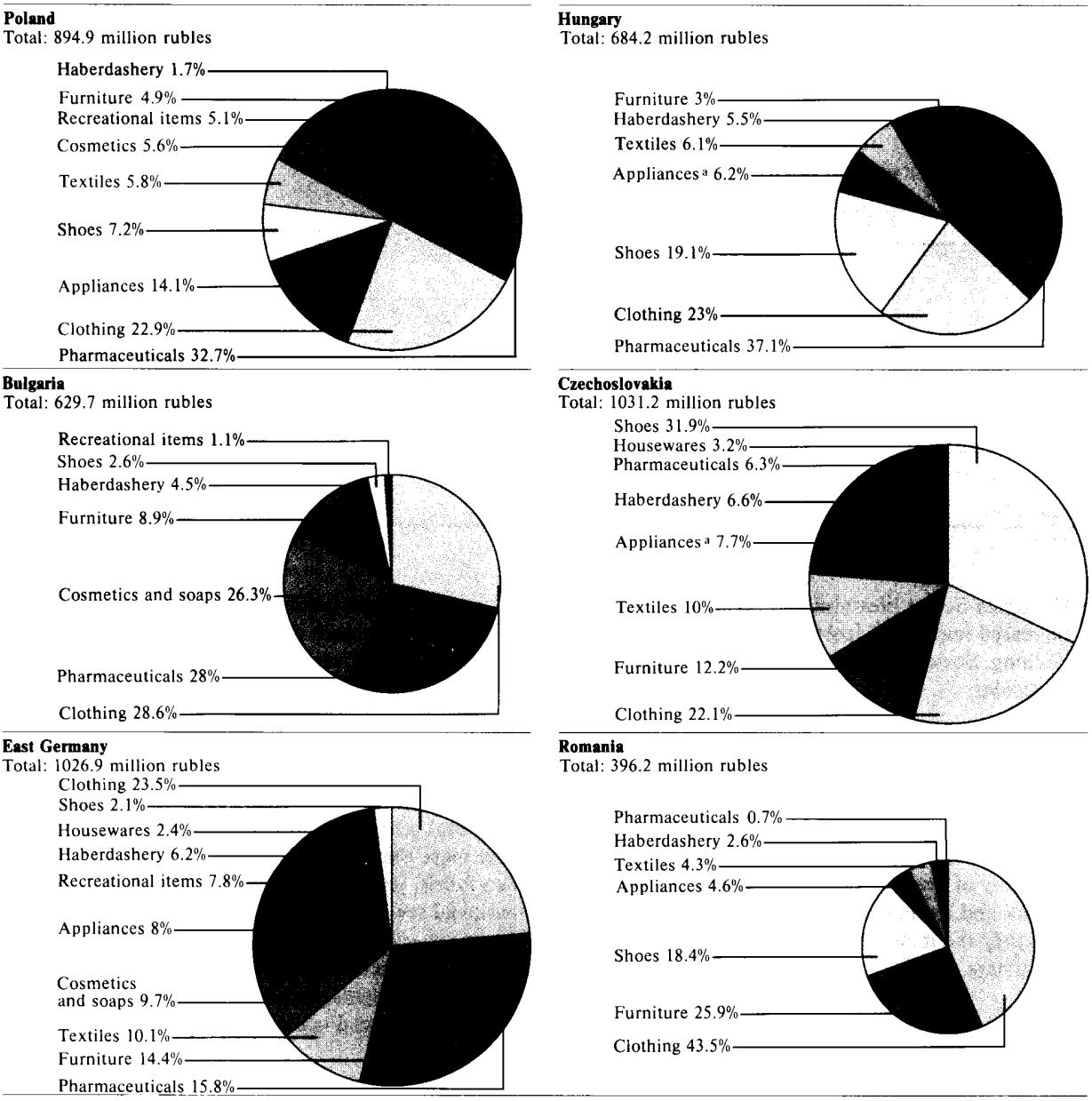
Figure 7
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR, by Country and Commodity, 1984



[a] Includes recreational items.
Source: *Foreign Trade USSR*.

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Soviet purchases exhibit broad areas of differentiation among East European trade partners (see figure 7):

- ***East Germany*** provides the widest range of consumer products and changes one-third of its product selection annually—high by Soviet standards, but far below Western trade practices. Moscow turns to East Berlin in particular for hosiery, carpets, toys, blankets, china, soaps, and baby carriages.

- A large portion of ***Czechoslovakia's*** deliveries come from its comparatively sophisticated shoe and clothing industries. Prague's other bestsellers on the Soviet market include jewelry, hats, glassware, pianos, and wool fabric.

- ***Polish*** exports in the early 1980s shifted to pharmaceuticals and appliances—despite severe domestic shortages—because of a decision to retain more clothes for personal consumption. The Poles, however, remained the Soviets' major source for table linens, cooking ranges, stamps, silk fabric, and sports, hunting, and camping gear.

- ***Hungary*** continues to send the Soviets mostly shoes and clothing. Budapest is not a preeminent supplier in any consumer goods category, but increased its share of pharmaceutical deliveries during 1981-84.

- ***Bulgaria***, known for its high-quality perfumes, raised its proportion of cosmetic, pharmaceutical, and toothpaste exports over 1975 shares. Sofia's traditional mainstays of fur coats and clothing expanded at a much slower rate.

- Offering fewer types of commodities for export than its East European neighbors, ***Romania*** has focused on sales of clothing, furniture, and shoes.

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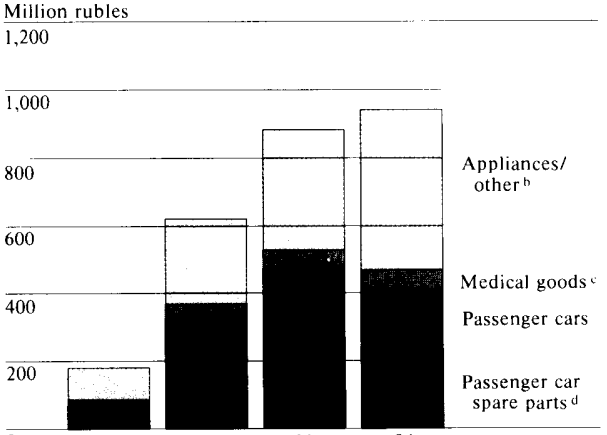
The Soviet Export Picture. Soviet exports are concentrated in "heavy" consumer products (see figures 8 and 9). To meet their own domestic needs, however, the Soviets altered the mix of these durable goods and cut real deliveries to the East European market throughout the 1970-84 period. Moscow's priority program to develop its fledgling automotive industry in the early 1970s generated a surge in exports of passenger cars to Eastern Europe, from 84,000 units

Figure 8
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR, by Commodity, 1970-84[a]



[a] Negligible trade in household goods, textiles, motorcycles, and motorcycle spare parts are not included in totals.
[b] Includes household appliances, bicycles, watches, TV sets, cameras, and other miscellaneous consumer items.
[c] Includes pharmaceuticals, cosmetics, and soaps.
[d] Data omitted for 1970 because of change in trade classification.
Source: *Foreign Trade USSR.*

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in 1970 to a peak of 388,000 units in 1978. By 1975, auto sales overtook appliances and other household machines as the leading category of exports.

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When Moscow abandoned plans to expand automobile production capacity during 1976-80, the Soviets curtailed car exports to Eastern Europe in favor of the domestic market and exports for hard currency. Soviet auto exports probably have appeared generous to Soviet consumers because Soviet car ownership still has not reached the level in Eastern Europe during the early 1970s. The quantity of automobiles exported to Eastern Europe, however, was slashed some 60 percent from 1980 to 1983, as deliveries to the developed West rose by almost 40 percent. Eastern Europe received partial compensation in the form of more automobile spare parts, which stemmed demand for cars somewhat by enabling current owners to prolong the service lives of their vehicles. Increased exports of appliances also helped offset the drop in automobile

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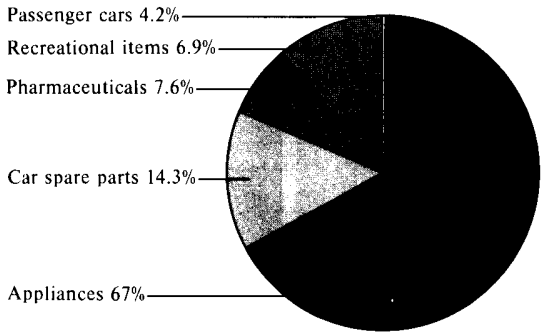
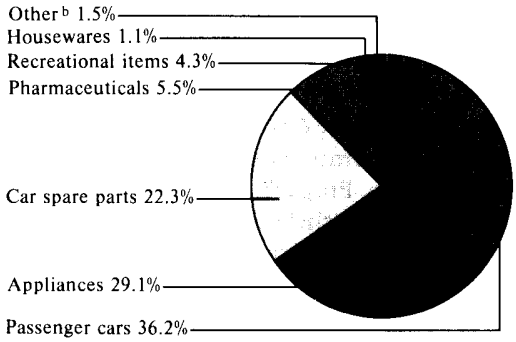
Figure 9
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR, by Country and Commodity, 1984[a]

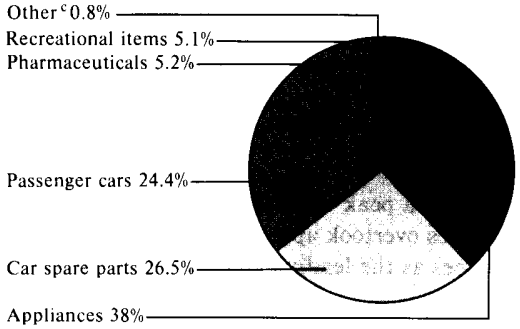
Poland
Total: 258.5 million rubles



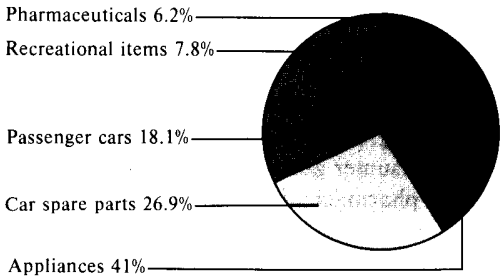
Hungary
Total: 180.3 million rubles



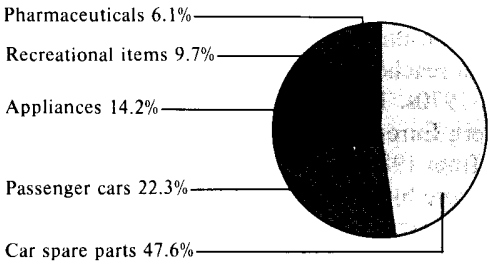
Bulgaria
Total: 186 million rubles



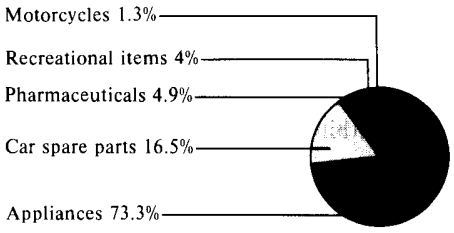
Czechoslovakia
Total: 146.9 million rubles



East Germany
Total: 122.1 million rubles



Romania
Total: 50.3 million rubles



[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods.
[b] Textiles and motorcycles.
[c] Motorcycles, motorcycle spare parts, and miscellaneous consumer items.
Source: *Foreign Trade USSR*.

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deliveries to Poland, Bulgaria, Czechoslovakia, and Hungary. By 1984, household machines once again represented the largest group of Soviet consumer commodities exported to the region.

The composition of consumer durables exported to Eastern Europe varies widely by country:

- ***Poland,*** with the most critical requirements for household goods, receives refrigerators, televisions, radios, cameras, movie projectors, and watches.
- Household sewing machines, washing machines, lamps, televisions, and automobiles top ***Bulgaria***'s shopping list.
- The lion's share of vacuum cleaners, furniture, and enamelware goes to ***Hungary***. Directed by CEMA agreement to specialize in bus production—at the expense of automobiles—Budapest lays claim to almost half of the Soviet passenger cars exported to the region.
- ***Czechoslovakia***'s leading purchases include radios, televisions, toys, and sports, hunting, and camping equipment.
- ***East Germany*** is weaning itself from most of its Soviet consumer durable imports and instead is expanding its own appliance industry. East Berlin, however, has increased purchases of car spare parts.
- ***Romania*** concentrates its buying on bicycles and motorcycles.

Moscow's Imports of Light Industrial Equipment

The USSR spent 735 million rubles for East European light industrial equipment in 1984—about 4 percent of its imports of all types of machinery and equipment from the region.[7] Measured in real terms, imports of light industrial machinery grew at an average annual rate of 14 percent in 1976-79 and, after a lull in 1980, climbed back to some 11 percent per year during 1981-84. Purchases of such equipment have risen dramatically since 1975, indicating that Soviet officials have acted on their rhetoric to modernize light industry's aged capital base.

Because of hard currency constraints, the Soviets have increasingly called on their CEMA partners for these goods. Eastern Europe supplied 87 percent of Moscow's imports of light industrial equipment during 1981-84, up from 73 percent in the late 1970s. Czechoslovakia—acknowledged as a world leader in textile technology—is by far the major supplier in CEMA.[8] East Germany, the next leading exporter, sells mostly textile dyeing and finishing equipment.[9] Data in the CEMA Statistical Handbook show that the other East European partners were unable to boost deliveries to the USSR because they allowed their own spinning and weaving machine-building industries to atrophy. Instead, they imported technology and equipment from the West to upgrade domestic fabric output.

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Textile equipment currently accounts for about 90 percent of Soviet imports of all light industrial machinery from Eastern Europe.[10] The emphasis on textile equipment implies that Moscow has targeted fabric production for special attention—probably a reflection of consumer interest in new textiles and the advanced age of the sector's capital stock. In 1984 the region provided over 90 percent of all Soviet imports of textile machinery. The imports from Eastern Europe were double their 1975 level, while imports from the West were virtually unchanged, accounting for less than 100 million rubles. In addition, East European manufacturers—mostly Czechoslovakia, East Germany, and Poland—dramatically changed the composition of their deliveries to include smaller and more varied processing lines in response to Soviet plans to expand product assortment.

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[7] Soviet and East European sources only report trade in equipment used to manufacture wearing apparel and do not provide data on other consumer goods machinery.

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[8] See section on "Textile Machinery: Intertextilmash" for details on Prague's capabilities.

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[9] Once removed from the loom, cloth is run through several chemical baths. This "finishing" process can be altered to meet consumer preferences for such features as fabric brightness, softness, and easier care.

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[10] The remainder is in the form of industrial sewing equipment, mainly from Hungary, and leather, footwear, and fur-processing machinery supplied by Czechoslovakia.

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CEMA Cooperation Agreements: Pressure for Integration

The Soviet leadership has held up specialization and cooperation as a major goal in Soviet–East European relations. In economic terms, Moscow promotes such ties for the payoff from economies of scale, standardization, and efficient use of each partner's resource, labor, and capital endowments. Equally important, this strategy meshes with the USSR's campaign for Bloc independence from the West.

While CEMA has seen some results from its cooperation initiatives in the consumer sector, the program has fallen far short of Moscow's expectations. the level of specialization achieved in this area remains one of the lowest in all industry. any progress in specialization of CEMA consumer goods production and trade has been a natural outgrowth of East European economic development and owes little to the CEMA cooperation program. few of the program's measures have actually been implemented. Reliance on voluntary participation, failure to impose penalties for noncompliance, the absence of an oversight committee to coordinate efforts, and poor ties between production enterprises and research institutes have contributed to the program's dismal performance. Soviet irritation grew to such heights in 1980, that Moscow made unprecedented moves to disband the program's administrative bodies but in the end only cut back some staff.

Discussions in CEMA publications indicate that, in 1983, Soviet officials demanded closer East European adherence to cooperation agreements at the same time they announced their get-tough policy on trade. Tired of East European foot-dragging, Moscow ordered its allies to devote more attention to long-established specialization assignments in the consumer sector. Inclusion of measures on CEMA cooperation in the high-profile Soviet Long-Term Consumer Goods and Services Program indicates Moscow's pressure is continuing.[11] This program, approved in September 1985, sets ambitious production targets for a wide range of consumer durables, soft goods, and consumer services, with the goal of raising the Soviet citizen's material standard of living over the next 15 years. It also promises improvements in the quality, variety, and style of consumer items. The Soviet document assigns a key role to Eastern Europe, but gives few specifics.

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The Raw Materials Base: Interkhimvolkon. CEMA's program of cooperation in the consumer sector begins with textile raw materials. The main goal is development of new and stronger chemical fibers—a need created by higher textile machinery speeds, changes in fabric-processing methods, and heightened consumer demand for easy-care materials.

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CEMA established Interkhimvolkon, with headquarters in Bucharest, in 1974 to oversee research in fiber technology and promote increased production and trade in synthetic materials.[12] Each member is assigned a work agenda that reflects its industrial and research capabilities. According to a CEMA publication, participating countries specialize in the following areas:

- Hungary—acrylic fibers.
- Poland—polyester fabrics.
- Bulgaria—viscose-base fibers.
- Czechoslovakia—polypropylene materials.
- USSR—blended cotton fibers.

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Eastern Europe also is responsible for the creation of a wide variety of new artificial leathers.

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According to discussions in CEMA publications, this strategy yielded poor returns during the early 1980s. Eastern Europe shared few of its advances in textile fiber technology with Interkhimvolkon, and those discoveries for which the organization was responsible remained in the laboratory. Moscow met its export commitments to its CEMA partners—despite a

[12] Synthetic fabrics comprise less than 5 percent of total Soviet and East European textile output, and in 1984 Eastern Europe supplied about 3,000 tons of chemical fibers to support Soviet production. Moscow, in turn, exported some 408,000 tons of ginned cotton in 1984 to its allies. Cotton fabrics at present account for roughly 70 percent of CEMA output.

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steady decline in its cotton production during 1980-84—by turning to international cotton markets. A confidential Soviet study indicates that the East European countries angered Moscow by reexporting the cotton to the West to earn hard currency. Concomitant shortfalls in chemical fiber deliveries from its allies added to Moscow's irritation.

Textile Machinery: Intertextilmash. CEMA has devoted more attention and resources to light industrial machine building, the second tier of its cooperation program. Soviet prodding reflected high-level concern about insufficient production capacity and technological backwardness in Moscow's own stock of plant and equipment.

CEMA commissioned Intertextilmash in 1973 to coordinate the efforts of CEMA textile machine-building enterprises, associated scientific research institutes, and planning and design organizations in the production of equipment to manufacture wearing apparel.[13] Its members—who meet regularly in Moscow—include Bulgaria's Association for Heavy Machinery, Czechoslovakia's Elitex, Poland's Polmatex, East Germany's Textima, Romania's Imatex, the Hungarian Association for Production in Light Industry, and Soviet textile machinery enterprises in Klimovsk and Cheboksary. Because of a long tradition in textile engineering, Czechoslovakia and East Germany shoulder most of Intertextilmash's research program (see table 2 for specific projects during the period 1981-85).

while Intertextilmash fell far short of its announced goal of efficient CEMA production of modern textile equipment, it could claim several technological advances. however, that progress resulted not from Intertextilmash's management, but rather from Czechoslovakia's use of the organization's research centers and production enterprises as testing grounds to improve its products for hard currency customers. state-of-the-art Western processing methods are still based heavily on Czechoslovak technology of the 1960s and

[13] CEMA has no companion organization coordinating work on other consumer goods machinery.

Table 2
CEMA: Specialization in Intertextilmash, 1981-85

Countries	Equipment and Machinery
Czechoslovakia, East Germany, Hungary, and Romania	Equipment for ready-to-wear clothing and shoes
East Germany, Poland, and Romania	Conventional spinning frames
Czechoslovakia	Specialized spinning frames
Bulgaria, Poland, and Romania	Conventional weaving looms
Czechoslovakia and East Germany	Specialized and shuttleless weaving looms
USSR	Sulzer-type shuttleless looms [a]
Czechoslovakia, East Germany, and Romania	Textile dyeing and finishing equipment
Czechoslovakia and East Germany	Knitting machines

[a] Sulzer-type looms—used extensively in the West during the 1950s but less frequently today because of relatively slow processing speeds—weave fabric by "throwing" threads through a series of metal needles.

1970s. Widely used know-how developed by Czechoslovak engineers includes:

- ***Open-end spinning.*** This process eliminates two stages of yarn preparation—twisting and winding. Its advantages are faster processing speeds, savings of labor and energy, ability to use shorter fibers, and improvements in weaving and dyeing. These features have the potential to relieve critical bottlenecks in Soviet fabric production.

- ***Airjet and waterjet weaving.*** Pulses of air or water carry horizontal threads across the loom, which allows large increases in weaving rates. CEMA textile enterprises, however, have been slow in accepting this machinery because of shortages of chemical fibers. Natural textile fibers cannot withstand the equipment's high speed and extreme friction.

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Czechoslovakia currently is putting another textile technology through its paces in Intertextilmash—a technology that, [redacted] has the potential for a major breakthrough in the world market. Known as multished weaving, this process makes even greater strides in speed by weaving several threads at one time. Problems in weaving the finer threads that Western consumers prefer remain the only technical stumblingblock. [redacted] Prague will be strapped to bring this equipment into serial production because of insufficient investment and a deteriorating machine-building base. [redacted]

Finished Goods: The Long-Term Target Program. The third leg of CEMA's specialization program addresses Moscow's most pressing need—improvement in the quality and variety of consumer goods supplied. Under Soviet pressure, the CEMA partners made this the centerpiece of their plans for cooperation in the consumer area during the 1981-85 period. Moscow hoped that the focus on finished goods would yield a quick and direct payoff in contrast to the long gestation periods required by CEMA programs on textile raw materials and machinery. To stimulate and guide this effort, CEMA launched in 1979 the ambitious and detailed Long-Term Target Program for Industrial Consumer Goods (see table 3).[14] More modest programs adopted in the late 1960s and 1970s fizzled after only a few years. [redacted]

The Target Program initially singled out five broad areas for special emphasis: fabrics, clothing and footwear, furniture, electronic consumer products, and household appliances. To carry out this work plan, CEMA concluded some 56 bilateral agreements, the largest number dealing with production of clothing. Both Soviet and East European representatives, however, felt the need to narrow their focus, and at the CEMA Summit in June 1984 they amended the Target Program to concentrate on specific trouble spots, including nonwoven fabrics, artificial leather and fur products, toys, sporting goods, color televisions, refrigerators, and washing machines. The program's main goals remained the introduction of new products and increased quality and consumer appeal of existing models. [redacted]

From Moscow's perspective the Target Program foundered badly. [redacted] new or specialty products constituted less [redacted]

Table 3
USSR–Eastern Europe: The Tasks of CEMA's Long-Term Target Program

Countries	Assignment
USSR	Passenger cars, household appliances (radios, TV sets, refrigerators, washing machines, clocks, cameras)
Hungary, Poland, Czechoslovakia, and Romania	Leather footwear
Bulgaria	Perfume, cosmetics
Hungary and Poland	Pharmaceuticals
East Germany	Textiles
Bulgaria, Romania, and Czechoslovakia	Furniture
Hungary, East Germany, Poland, and Romania	Knitwear
Czechoslovakia	Jewelry
Czechoslovakia and East Germany	Dishware, glassware
Bulgaria	Fur coats, leather haberdashery items
East Germany	Small household appliances, lamps/lighting
Czechoslovakia, Romania, Poland, and Bulgaria	Clothing, linens

Sources: L. S. Kosikova and S. P. Petukhova, *Promyshlenniy Tovari Narodnogo Potrebleniya (Manufactured Consumer Goods for National Consumption)* (Moscow: Nauka, 1985) and Soviet press articles.

[redacted]

[14] Alternately referred to as The Long-Term Special Purpose Program for Industrial Consumer Goods, the Target Program was accompanied by four similar long-range decrees for CEMA cooperation in transportation, agriculture and the food industry, machine building, and energy and raw materials. These long-term programs took the lead from CEMA's 1971 Comprehensive Program, the organization's much heralded blueprint for Soviet–East European economic relations. [redacted]

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than 5 percent of total Soviet–East European consumer goods trade during the early 1980s. Western observers place the blame for the program's failure on East European preoccupation with development of new consumer product lines for Western customers and poor Soviet enforcement of negotiated agreements.

Prospects: Tough Talk, Modest Pressure

Moscow has kept up its rhetoric about the need for more East European exports as CEMA enters its new five-year plan period. Nonetheless, the Soviets have actually relaxed—at least for the near term—demands on Eastern Europe for rapid increases in imports of consumer goods.

Bilateral trade protocols affirm this slowdown. Consumer deliveries from East Germany—on whom the Soviets will continue to rely as their major supplier—are slated to rise 7 percent annually in 1986-90, slightly less than half the average rate of increase in East Berlin's exports during 1981-84. Soviet and East European trade journals, although lean on specifics, also note less ambitious trade plans for other CEMA partners. Exceptions are Poland and Romania, who have agreed to boost deliveries of consumer goods dramatically over depressed 1981-84 levels to secure more Soviet imports for their ailing economies.

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We believe Moscow will continue to buy mostly clothing, shoes, and medical supplies from Eastern Europe to cover shortfalls in domestic production. According to a Western chemical industry journal, pharmaceutical deliveries from Warsaw could increase as much as threefold by the end of the decade if the Tarchemin antibiotics plant comes on stream as expected. A barter arrangement already on the books calls for much of the factory's output to be shipped to the USSR, and Moscow may push for the plant's speedy completion. Textile imports will probably decline in importance as the Soviets introduce newly acquired fabric-processing equipment into production.

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Additional changes in Soviet import strategy bear Gorbachev's stamp. The Soviet leader has shifted Moscow's buying focus to machinery and technology, banking on the long-term payoff in higher Soviet consumer goods production and decreased reliance on East European finished items. He appears to have assigned to his allies a larger role in modernizing Soviet light industry, calling for the CEMA countries to:

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- Provide engineering and technical advice to redesign and upgrade Soviet consumer goods factories.
- Accelerate exports of light industrial equipment and machinery.
- Assist in the construction of three major light industrial complexes in Yerevan, Zhodino, and Voroshilovgrad (see figure 10 and tables 4 and 5).

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Another hallmark of Gorbachev's influence is the high priority on improvements in the quality and variety of the allies' consumer exports. To promote the Soviet leader's aims, recent bilateral and CEMA agreements urge Eastern Europe to:

- Impose stricter sanctions on suppliers who deliver poor-quality goods.
- Reduce prices for less desirable products.
- Develop closer trade links to the Soviet retail network.

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Gorbachev's pragmatic approach reflects the USSR's awareness of the limits of East European industrial capabilities.

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Moscow's demands for more of its allies' machinery and equipment, however, may make it harder for them to modernize their consumer goods industries. The Kremlin is probably gambling that the region will be able to cope with this longer term conflict. On balance, we believe the region can meet current Soviet trade targets without dramatic strains

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Figure 10
What Moscow Wants To Buy From Eastern Europe

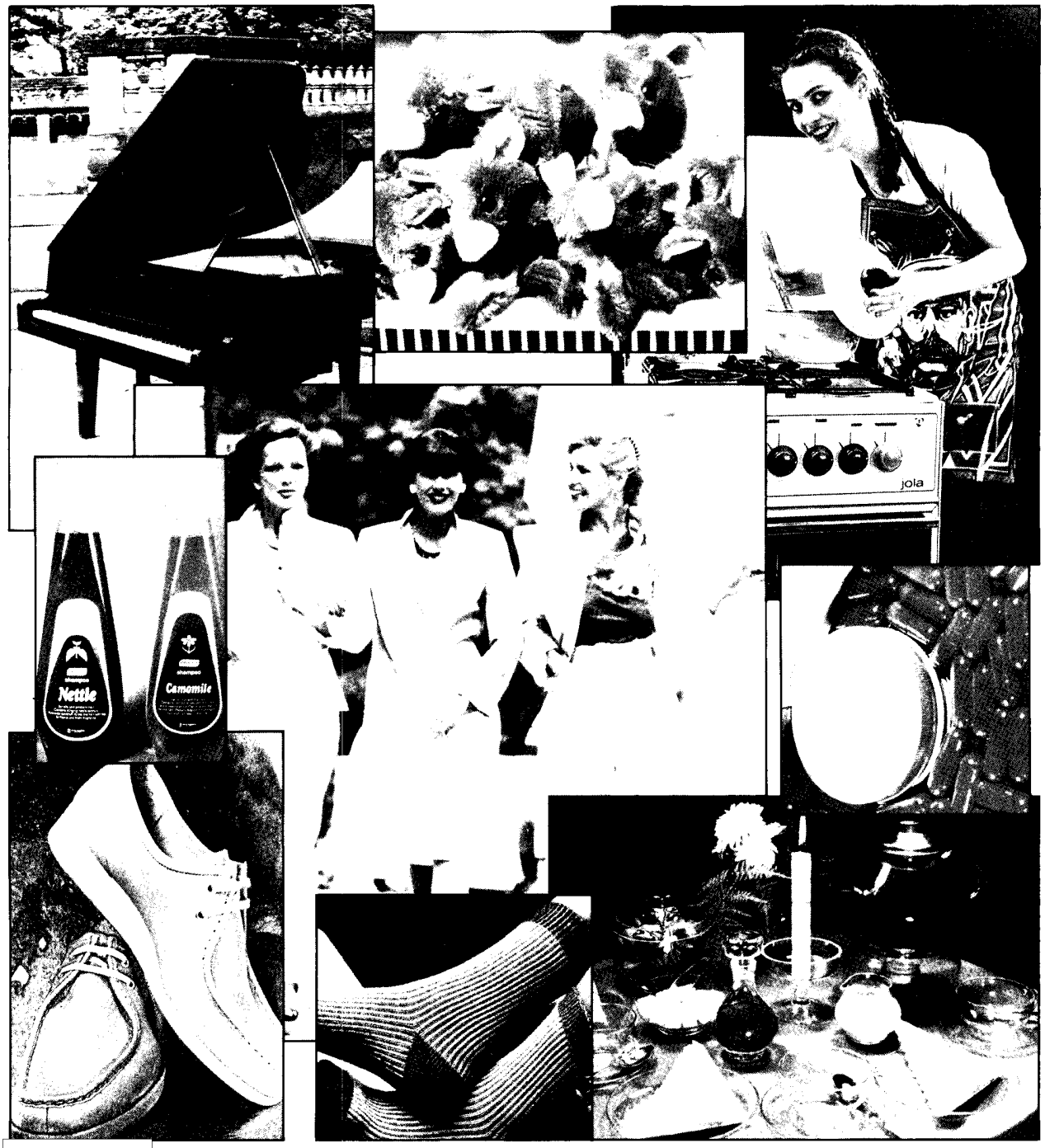

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Table 4
USSR–Eastern Europe: Selected Joint Projects in the Manufactured Consumer Goods Sector, 1986-90

Participants	Project	Location	Terms
Poland, USSR	Cosmetics factory	Krakow, Poland	Soviets finance plant's modernization in return for share of output.
Czechoslovakia, USSR	Tannery	Yerevan, USSR	Czechoslovakia builds turnkey facility for Soviets and receives payment in kind.
Czechoslovakia, USSR	Shoe plant	Voroshilovgrad, USSR	Coconstruction of new plant; partners divide resulting output.
Czechoslovakia, USSR	Knitting mill	Zhodino, USSR	Czechoslovakia builds turnkey facility for Soviets and receives payment in kind.
East Germany, USSR	Nine clothing mills, three shoe factories, and three furniture plants	Moscow, Leningrad, L'vov, Tbilisi, and various other locations in the USSR	Enterprise-to-enterprise links. East German technicians advise Soviet sister plants on how to modernize and reequip current facilities.
Hungary, USSR	Sewing factory	L'vov, Tshchenets (Georgia), USSR	Hungarian firms reequip and upgrade technology in existing Soviet factories in return for sewn goods.
Hungary, USSR	Shoe plant	Moscow	Budapest gives technical assistance in expanding assortment of shoe output in return for shoes.

Sources: L. S. Kosikova and S. P. Petukhova, *Promyshlenniy Tovari Narodnogo Potrebleniya (Manufactured Consumer Goods for National Consumption)* (Moscow: Nauka, 1985) and Soviet open-press articles.

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on living standards and economic performance. Except for Hungary, which, is operating at almost full capacity, the CEMA partners can generate moderate increases in output through higher utilization rates in light industry. Difficult economic conditions, however, may undermine consumer goods production in Poland and Romania and hold down their export commitments to the USSR. We believe Moscow would probably turn to East Germany and Czechoslovakia to make up the difference.

The Soviet leadership is keenly aware that insistence on a dramatic jump in exports of East European consumer goods could pose serious problems for its allies. Attempts to satisfy such demands could force reductions in living standards in the Bloc. This, in turn, raises the specter of consumer unrest, which both Soviet and East European leaders appear determined to avoid. Moscow's actions signal that the Kremlin has decided for now to continue giving greater weight to political stability in Eastern Europe than to improvements in living standards for Soviet consumers.

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Cutbacks in hard currency sales of consumer products would be the second—and equally unpalatable—result of even higher Soviet demands. Although the region largely has recovered from the financial crisis of the early 1980s, exports to Western markets remain a high priority for the long term. Eastern Europe continues to require hard currency to pay debt

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Table 5
The Soviet Agenda for Light Industrial Machinery Purchases, 1986-90

Source	Type of Equipment or Technology
Czechoslovakia, Poland	Air-jet weaving looms and open-ended spinning frames
Romania	Open-ended spinning machines and automated spinning/drawing frames
East Germany	Thread-texturizing equipment, cotton combing machines, and ring-spinning technology
Bulgaria, Romania	Standard knitting machines with greater speed and capacity
Hungary	Industrial ironing machines and laser cutting and sewing equpiment
East Germany	Flat-bed knitting machines and continuous weaving looms
Poland, Romania	New finishing technology
East Germany, Poland, Czechoslovakia	Open-ended spinning equipment
Bulgaria, Romania	Dyeing and laundering machines
Czechoslovakia	New knitting technology
Bulgaria	Yarn-twisting equipment
Poland	Wool-carding machinery
Poland	Research on ways to use textile-processing waste and byproducts
East Germany	Hosiery manufacturing equipment

service and to import Western materials and advanced technology. Soviet pressure to reduce East European access to the West would almost certainly backfire, leading to an eventual decline in the quantity and quality of the consumer goods Moscow wants.

Current trends, however, may eventually compel the Soviets to raise their requirements for East European consumer goods above trade protocol targets. A drop in Soviet hard currency revenues—the product of falling oil prices and faltering oil production—could cause Moscow to delay or curtail purchases from Western suppliers and turn to Eastern Europe to fill the void. Because planners traditionally have been reluctant to spend hard currency on consumer goods, these items may well be cut first. According to Embassy sources, a Soviet foreign trade representative told a Swedish official in recent meetings that Soviet imports of such goods from OECD (Organization for Economic Cooperation and Development) countries "would be practically eliminated" because of revenue shortfalls. In 1984, hard currency suppliers provided 723 million rubles' worth—some 10 percent—of total Soviet consumer goods purchases. Trade volumes, however, understate the importance of such high-quality Western goods to Soviet consumers who have shown increasingly sophisticated tastes.

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Less likely events may also spur increased Soviet purchases from the CEMA partners, including:

- Production shortfalls in Soviet light industry caused by investment and resource constraints.
- Stagnating labor productivity and/or failure of worker incentive programs, which would undercut Gorbachev's industrial modernization drive.
- Health problems in the population resulting from the Chernobyl' nuclear accident.

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Soviet demands for East European exports above levels projected in the trade protocols would probably extend beyond light industry. But increased requirements for consumer goods could generate particularly sharp tensions between Moscow and its allies because of the possible impact on hard currency trade and living standards. If Moscow raises the ante, we would expect to see increased bickering over the volume and composition of consumer goods trade and some foot-dragging by the East Europeans in fulfillment of trade agreements. The loudest complaints probably would come from Hungary, East Germany, and possibly Czechoslovakia—the regimes with the most consumer-oriented domestic policies and the greatest reliance on consumer goods for hard currency exports. In the final analysis, however, the East Europeans would be forced to comply with most of Moscow's requirements.

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Appendix A

Statistical Tables of Trade in Manufactured Consumer Goods

Table A-1
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR

Million current rubles

	Total [a]	Hungary	Romania	Poland	East Germany	Czechoslovakia	Bulgaria
1970	1,364.6	180.1	166.0	282.5	323.3	216.3	196.4
1971	1,608.3	221.6	186.4	347.8	400.8	257.9	193.9
1972	1,724.9	255.6	192.6	384.0	417.3	281.6	193.8
1973	1,693.1	258.5	204.9	382.2	384.4	267.9	195.2
1974	1,741.6	267.5	214.3	431.8	365.2	273.6	189.1
1975	2,166.0	340.9	236.4	557.5	425.1	371.2	234.8
1976	2,294.8	352.6	249.1	595.4	459.8	388.7	249.3
1977	2,564.4	394.3	301.1	687.8	491.6	420.6	269.1
1978	2,837.6	414.7	343.8	809.3	526.0	432.4	311.4
1979	2,958.6	416.0	333.8	858.1	550.1	481.3	319.3
1980	3,184.4	439.5	390.0	866.9	594.3	539.8	353.9
1981	3,449.4	524.4	374.2	759.0	731.8	658.1	402.0
1982	4,086.4	634.8	384.2	896.9	878.5	799.1	492.9
1983	4,131.8	604.2	395.2	773.5	964.4	838.5	556.2
1984	4,663.2	684.2	396.2	894.9	1,026.9	1,031.2	629.7

[a] Because of rounding, components may not add to the totals shown.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Table A-2
Eastern Europe: Average Annual Growth in Exports of Manufactured Consumer Goods to the USSR

Percent

	1971-75	1976-80	1981-84	1971-84
Total	**9.7**	**8.0**	**10.0**	**9.2**
Hungary	13.6	5.2	11.7	10.0
Romania	7.3	10.5	0.4	6.4
Poland	14.6	9.2	0.8	8.6
East Germany	5.6	6.9	14.6	8.6
Czechoslovakia	11.4	7.8	17.6	11.8
Bulgaria	3.6	8.6	15.5	8.7

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

Table A-3
Eastern Europe: Shares of Exports of Manufactured Consumer Goods to the USSR

Percent

	1971-75	1976-80	1981-84
Total	**100.0**	**100.0**	**100.0**
Hungary	15.0	14.6	15.0
Romania	11.6	11.7	9.5
Poland	23.5	27.6	20.4
East Germany	22.3	18.9	22.0
Czechoslovakia	16.3	16.3	20.4
Bulgaria	11.3	10.9	12.7

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Table A-4
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR [a]

Million current rubles

	Total [b]	Hungary	Romania	Poland	East Germany	Czechoslovakia	Bulgaria
1970	186.6	31.3	13.1	33.5	38.8	27.5	42.5
1971	306.1	51.6	12.9	39.7	70.3	62.2	69.4
1972	354.9	65.7	15.9	43.6	76.0	67.5	86.1
1973	428.3	73.6	17.3	55.0	94.6	92.9	94.9
1974	544.1	83.8	18.0	95.7	113.3	114.5	118.8
1975	626.8	94.0	15.1	130.6	149.7	112.0	125.4
1976	736.6	109.1	21.5	154.4	175.2	130.3	146.2
1977	793.7	114.6	25.7	174.8	175.1	138.2	165.4
1978	899.2	143.0	37.9	190.5	192.7	155.5	179.6
1979	831.8	146.8	39.8	164.4	144.3	155.0	181.5
1980	886.2	158.4	55.9	190.3	145.8	142.5	193.2
1981	734.3	139.4	44.9	208.4	100.3	98.0	143.4
1982	817.5	156.9	55.9	197.1	117.6	100.9	189.1
1983	837.6	171.9	51.1	216.4	94.6	131.4	172.2
1984 [c]	944.2	180.3	50.3	258.5	122.1	146.9	186.0

[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods.
[b] Because of rounding, components may not add to the totals shown.
[c] Preliminary.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Table A-5
Eastern Europe: Average Annual Growth in Imports of Manufactured Consumer Goods From the USSR [a]

Percent

	1971-75	1976-80	1981-84
Eastern Europe	27.4	7.2	1.6
Hungary	24.6	10.8	3.3
Romania	3.0	29.8	−2.6
Poland	31.3	7.8	8.0
East Germany	31.0	−0.5	−4.4
Czechoslovakia	32.5	4.9	0.8
Bulgaria	24.2	9.0	−1.0

[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

Table A-6
Eastern Europe: Shares of Imports of Manufactured Consumer Goods From the USSR

Percent

	1971-75	1976-80	1981-84
Total	**100.0**	**100.0**	**100.0**
Hungary	16.3	16.2	19.5
Romania	3.5	4.4	6.1
Poland	16.1	21.1	26.4
East Germany	22.3	20.1	13.0
Czechoslovakia	19.9	17.4	14.3
Bulgaria	21.9	20.9	20.7

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

Table A-7
USSR–Eastern Europe: Trade in Manufactured Consumer Goods in Constant Prices

Million 1970 rubles

	Soviet Exports [a]	Soviet Imports	Soviet Net Imports
1970	186.6	1,364.6	1,178.0
1971	301.0	1,643.8	1,342.8
1972	342.7	1,773.7	1,431.0
1973	412.5	1,746.4	1,333.9
1974	512.9	1,757.8	1,244.9
1975	551.4	1,896.4	1,345.0
1976	569.6	2,010.2	1,440.6
1977	586.9	2,231.9	1,645.0
1978	643.6	2,372.4	1,728.8
1979	576.5	2,386.4	1,809.9
1980	567.2	2,397.3	1,830.1
1981	436.3	2,336.3	1,900.0
1982	477.8	2,692.2	2,214.4
1983	463.2	2,596.5	2,133.3
1984 [b]	499.2	2,853.9	2,354.7

[a] Includes passenger cars, motorcycles, and associated spare parts, which are not listed in the Soviet classification of manufactured consumer goods. Estimates were derived from Hungarian foreign trade price indexes for consumer goods.
[b] Preliminary.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR)* and *Kulkereskedelmi Statisztikai Evkonyv (Hungarian Foreign Trade Statistical Handbook).*

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Table A-8
Eastern Europe: Exports of Manufactured Consumer Goods to the USSR, by Commodity

Percent (except where noted)

	1970	1975	1980	1984
Total *(million current rubles)*	**1,364.6**	**2,166.0**	**3,184.4**	**4,663.2**
Textiles	5.8	7.7	8.1	6.8
Wearing apparel	55.1	53.8	50.0	43.8
Household goods	13.2	14.0	12.3	11.9
Medical goods	16.2	16.6	20.7	27.2
Appliances/other	9.7	7.9	8.9	10.3

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Table A-9
Eastern Europe: Exports of Selected Manufactured Consumer Goods to the USSR, 1983

Million current rubles

	Total Eastern Europe [a]	Bulgaria	Hungary	Poland	East Germany	Romania	Czechoslovakia
Total [a]	**4,131.8**	**556.2**	**604.2**	**773.5**	**964.4**	**395.2**	**838.5**
Of which:							
Textiles							
Cotton	119.0		22.5	21.9	29.1		45.4
Wool	14.7		4.2	1.3			9.3
Silk	44.3		10.4	24.7			9.3
Linen	12.7			2.6		10.1	
Clothing							
Undergarments [b]	225.5	23.9	13.5	28.9	92.9	27.3	39.2
Outerwear [b]	772.6	123.6	127.5	149.9	95.8	142.2	133.7
Shoes	468.6	15.1	102.2	55.7	20.1	66.2	209.2
Stockings	50.7		2.6	2.3	38.6		7.2
Hats	12.9	1.3			5.0		6.7
Jewelry	20.8						20.8
Fur coats	25.6	13.7	0.2			11.7	
Leather handbags, belts, gloves, wallets	179.6	31.5	39.8	19.5	32.9	12.1	44.0
Combs [c]	1.6						1.6
Housewares							
Carpets	124.0		2.7	8.5	70.8	11.5	30.5
Table linens, bedding, towels	9.9			9.9			
Blankets	2.0				2.0		
Curtains [d]	29.7				29.7		
China/dishware	28.1				21.1		7.0
Glassware	28.5						28.5
Furniture	439.2	45.2	16.9	35.1	135.0	97.4	109.5
Medical goods							
Pharmaceuticals	812.5	144.6	229.8	232.9	145.2	4.8	55.4
Toothpaste	67.5	67.5					
Cosmetics	84.0	84.0					
Soaps/detergents	121.9			35.6	86.4		
Appliances/other							
Household sewing machines	5.6				5.6		
Small appliances (irons, coffee pots)	4.7				4.7		
Baby carriages	12.0				12.0		
Lamps/light bulbs	153.5		7.4	66.3	27.0	6.7	46.0
Cooking ranges	21.9			21.9			

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Table A-9 (continued)

	Total Eastern Europe [a]	Bulgaria	Hungary	Poland	East Germany	Romania	Czechoslovakia
Paper goods							
Books	31.8	3.6	4.0	6.1	8.0	1.8	8.3
Stamps	2.4	0.5	0.4	1.1	0.2		0.3
Stationery and office supplies	22.8		7.2		8.7		7.0
Musical instruments							
Pianos	8.7						8.7
Other musical instruments and records	16.4			0.8	15.6		
Recreational items							
Sports, hunting, and camping equipment	21.2		7.4	9.7	4.1		
Toys	48.4	1.2	4.5	4.3	38.4		
Motion pictures	2.4	0.5	0.3	0.2	0.5	0.3	0.6

[a] Because of rounding, components may not add to totals shown.
[b] Estimate. See appendix B on methodology for derivation of estimates.
[c] Includes other plastic haberdashery items.
[d] Represents goods made from tulle, a woven net-like fabric. Tulle also is used for scarves and other fashion accessories.

Sources: East European and Soviet foreign trade handbooks and journals.

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Table A-10
Eastern Europe's Share of Soviet Imports of Manufactured Consumer Goods, by Sector

Percent

	1971-75	1976-80	1981-84
Total	**67.0**	**65.5**	**58.0**
Textiles	38.4	42.6	37.4
Cotton	53.3	52.0	38.5
Wool	53.0	59.2	44.0
Silk	13.6	24.6	16.3
Linen	86.4	93.6	87.2
Clothing	65.4	64.6	52.2
Undergarments/outerwear [a]	77.4	73.2	61.2
Fur coats	65.0	55.4	35.7
Knitwear	46.7	56.8	48.9
Hosiery	92.7	71.0	68.2
Hats	53.5	42.6	30.7
Haberdashery items	74.9	71.2	71.7
Jewelry	100.0	100.0	100.0
Shoes	56.1	53.1	45.6
Housewares	45.8	71.8	71.8
Dishes	46.9	74.6	90.5
Glassware	86.3	72.1	59.8
Table linens, bedding, towels	9.2	22.6	11.8
Carpets	44.9	49.3	56.4
Furniture	92.9	90.5	85.2
Medical goods	81.5	78.2	70.3
Pharmaceuticals	86.8	85.7	80.6
Toothpaste	97.9	94.4	86.4
Cosmetics	11.1	16.2	23.6
Washing detergents	15.8	8.1	—
Appliances/other	82.8	76.2	70.7
Large appliances	71.4	47.4	34.2
Household sewing machines	100.0	100.0	99.2
Other small appliances	96.5	89.0	80.0
Baby carriages	89.1	98.2	94.0
Lamps/light bulbs	95.2	93.6	88.9
Cooking ranges	77.2	75.8	71.0
Paper goods	71.3	66.7	66.5
Books	75.6	69.4	69.6
Stamps	41.7	47.5	42.7
Stationery and office supplies	88.3	79.4	81.5
Musical instruments	78.1	70.6	67.8
Pianos	55.0	59.1	74.1
Recreational items			
Sports, hunting, and camping equipment	80.3	71.1	60.1
Toys	75.2	53.4	50.8
Motion pictures	43.2	41.0	39.2

[a] Excluding knitted goods.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

25X1

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Table A-11
Eastern Europe: Imports of Manufactured Consumer Goods From the USSR, by Commodity

Percent (except where noted)

	1970	1975	1980	1984
Total *(million current rubles)*	**186.6**	**626.8**	**886.2**	**944.2**
Textiles	3.7	0.8	0.4	0.3
Medical goods	9.3	6.6	5.6	6.2
Furniture		0.9	1.1	0.3
Appliances	41.5	35.1	33.3	43.2
Passenger cars	33.9	38.5	36.3	18.6
Passenger car spare parts [a]	2.4	13.6	17.4	24.8
Recreational goods/other	9.2	4.5	5.9	6.6

[a] Includes negligible trade in motorcycles and motorcycle spare parts.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Table A-12
Eastern Europe: Imports of Selected Manufactured Consumer Goods From the USSR, 1983

Million current rubles

	Total Eastern Europe [a]	Bulgaria	Hungary	Poland	East Germany	Romania	Czechoslovakia
Total [a]	**837.6**	**172.2**	**171.9**	**216.4**	**94.6**	**51.1**	**131.4**
Of which:							
Textiles	1.2	0.1	1.1				
Housewares							
Enamelware	2.0		2.0				
Furniture	2.5		1.5	1.0			
Medical goods							
Pharmaceuticals	58.8	11.7	9.9	20.0	5.6	2.9	8.7
Cosmetics	0.2		0.2				
Appliances/other							
Sewing machines	1.7	1.7					
Refrigerators	51.6	1.4	9.1	31.3	1.4	3.6	4.9
Bicycles	23.8	1.8	6.8	6.3		6.5	2.4
Motorbikes	0.4		0.4				
Watches	61.9	6.5	6.7	29.8	2.8	9.1	7.0
Cameras	21.0	2.4	0.9	16.5	0.2	0.6	0.4
Televisions	106.7	32.9	6.8	36.2	5.1		25.7
Movie projectors/cameras	4.2			2.4	1.8		
Vacuum cleaners	3.6	1.7	1.9				
Washing machines	5.6	3.9	1.7				
Radios	15.1	1.5	3.5	4.5	1.0		4.6
Light bulbs	0.3	0.3					
Paper goods							
Books	36.1	7.9	3.2	10.5	8.3	1.5	4.7
Stamps	1.6	0.5	0.3	0.7	0.1	NEGL	0.1
Stationery and office supplies	0.1	0.1					
Recreational goods							
Sports, hunting, and camping equipment	8.1		1.6	2.4			4.1
Toys	6.2		1.5	0.5	0.9		3.4
Motion pictures	3.0	0.7	0.3	0.4	0.5	0.3	0.7
Motor vehicles							
Motorcycles	1.3	NEGL				1.3	
Passenger cars	145.2	36.0	66.0	13.3	12.2	NEGL	17.7

[a] Because of rounding, components may not add to totals shown.

Sources: East European and Soviet foreign trade handbooks and journals.

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Table A-13
USSR: Imports of Light Industrial Equipment From Eastern Europe [a]

	Nominal *(million current rubles)*	Price Index [b] (1970=100)	Real *(million 1970 rubles)*
1975	168.8	118.6	142.3
1976	198.4	131.9	150.4
1977	256.8	135.5	189.5
1978	316.5	143.6	220.4
1979	361.6	148.5	243.5
1980	387.1	159.9	242.1
1981	441.5	172.9	255.3
1982	559.7	179.7	311.5
1983	715.6	191.6	373.5
1984 [c]	734.9	199.6	368.2

[a] Soviet and East European sources only report trade in equipment used to manufacture wearing apparel and do not provide data on other consumer goods machinery.
[b] Hungarian foreign trade price indexes for machinery.
[c] Preliminary.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR)* and *Kulkereskedelni Statisztikai Evkonyv (Hungarian Foreign Trade Statistical Yearbook).*

Table A-14
USSR: Average Annual Imports of Light Industrial Machinery and Equipment, by Supplier [a]

	1976-80		1981-84	
	Million rubles	*Percent*	*Million rubles*	*Percent*
Total	**414.3**	**100.0**	**704.6**	**100.0**
Eastern Europe	304.0	73.4	612.9	87.0
Bulgaria	16.1	3.9	30.1	4.3
Hungary	10.2	2.5	27.2	3.9
East Germany	51.9	12.5	96.3	13.7
Poland	40.2	9.7	52.0	7.4
Romania			6.7	1.0
Czechoslovakia	185.6	44.8	400.6	56.9

[a] Soviet sources only report trade in equipment used to manufacture wearing apparel and do not provide data on other consumer goods machinery.

Source: *Vneshnyaya Torgovlya SSSR (Foreign Trade USSR).*

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Appendix B

Reconciling Soviet and East European Trade Data: A Methodological Note

Official Soviet trade statistics provide a broad and consistent accounting of trade in manufactured consumer goods with Eastern Europe. Soviet data encompass the whole range of consumer goods commodities, listing merchandise flows for clothing, shoes, housewares, pharmaceuticals, cosmetics, soaps, appliances, and miscellaneous goods (CEMA Trade Nomenclature code 9) and for cars, motorcycles, and associated spare parts (code 195). Moreover, consumer goods trade has not suffered the erosion in reporting evident in other economic statistics since 1970, and on average Moscow draws a more comprehensive picture of imports and exports of such goods than its East European allies as a group.

Substantial gaps in Soviet statistics, however, limit their usefulness. The Soviet ledgers omit price data and a disaggregated breakdown of trade beyond the three-digit level for many important commodities. Noticeable in their absence are details on clothing, pharmaceuticals, and furniture. Reporting is also poor regarding the volume of consumer goods trade.

We surveyed East European statistical yearbooks, foreign trade journals, industrial periodicals, and CEMA publications to determine whether East European sources publish more detailed trade statistics that could fill in the missing pieces in Soviet accounting. With data from these sources, we ran a series of statistical comparisons from 1970-83 at the two-, three-, and four-digit level—where possible—to test for compatability with the Soviet data.[15] Reconciliation of Soviet and East European data at these levels was the necessary first step in determining whether more disaggregated East European data could fit into Soviet reporting.

For example, Soviet statistics on textile imports were matched to each East European partner's detailed accounting of textile exports. Comparisons made for aggregate textile trade and fabric types—such as cotton, wool, and silk—indicate a high degree of commonality. Because Soviet reporting ended at this point, we compiled East European data on finer commodity categories, such as cotton fabric grades and types. Corresponding statistics from Hungary—in this case the only reporter—were set aside, because they did not meet our threshold of representing 50 percent of total Soviet cotton fabric purchases. Finally, we identified residuals by magnitude and commodity category. The procedure was repeated for all trade in consumer goods.

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Clothing—an area of keen importance to consumers and the largest category of Soviet consumer goods imports—was the only category to benefit from this systematic pairing of data sets. Hungary, with the most detailed ledgers in the region, publishes Soviet purchases of men's suits, shirts, and pants; women's dresses and slips; sportswear; children's clothing; coats; undershirts; and other clothing. Because we did not strike such a rich lode in other East European data, we totaled Hungarian statistics into the coarser categories of outerwear and underwear. Applying the resulting ratio to Soviet reporting of clothing imports, we estimated that Budapest delivered 128 millions of rubles' worth of outerwear and 14 million rubles' worth of undergarments in 1983. Czechoslovak and Bulgarian statistics, although not as complete, did list exports of various clothing types. Again, compilations of outerwear and undergarment purchases were made and the shares converted into millions of rubles. Our findings indicate Prague's shipments of undergarments—40 million rubles' worth—are nearly three times those from Budapest. Bulgarian and Czechoslovak exports of outerwear, however, are comparable at 124 million and 134 million rubles' worth, respectively. Normally stingy with its statistics, East Germany reports the value of outerwear exports to the Soviet market. Converted to 96 million rubles at the official rate of exchange, this amount was subtracted from

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[15] More current reporting from Eastern Europe on disaggregated consumer goods trade is not yet available.

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Soviet reporting of total clothing purchases. We assumed undergarments accounted for the remaining 93 million rubles. But Poland and Romania were not as forthcoming, and a CEMA ranking of clothing exporters by commodity type allowed us to estimate their deliveries of outerwear and undergarments. According to open press reporting, these two countries are the Soviets' leading suppliers of men's suits and shirts, women's dresses, and other types of outerwear. We estimated Soviet outerwear purchases from Romania to be worth 142 million rubles and from Poland, 150 million rubles to reflect this hierarchy, and we assumed undergarments accounted for other Soviet clothing imports. [redacted] 25X1

We also used Hungarian foreign trade price indexes to remove the effects of inflation present in Soviet trade data. These deflators were applied only to aggregate merchandise flows. To avoid the statistical bias caused by differences in trade composition, Hungarian indexes were not used to convert trade by country or commodity. Such trade remains in current rubles. [redacted] 25X1

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